MINORITY SHAREHOLDER WATCH GROUP
BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
(Incorporated in Malaysia – Registration No.200001022382 (524989-M)

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Felda may raise offer to take FGV private

'That's the only way Felda can attract minority shareholders. I think RM1.80 should be the right price'

by SHAHEERA AZNAM SHAH

Pic by Muhd Amin Naharul

Felda's unconditional mandatory takeover offer for all the remaining shares in FGV at an offer price of RM1.30 per share remains open until 5pm on Feb 2, 2021

THE Federal Land Development Authority (Felda) may have to raise the offer price for the takeover exercise of FGV Holdings Bhd should it receive no cooperation from the latter's minority shareholders.

A shareholder in FGV told *The Malaysian Reserve (TMR)* that he wants a higher price for the shares he owns in the company. "That's the only way Felda can attract minority shareholders. I think RM1.80 should be the right price," he said.

Last Friday, five of FGV's non-interested directors advised shareholders to reject Felda's offer as they believed the offer price undervalued the company.

The directors' stance is opposed to independent advisor RHB Investment Bank Bhd's recommendation, which in its report, advised shareholders to accept the offer as it was reasonable but not fair.

"Justifications by the non-interested directors have merit since the future market value of FGV could be higher due to improving financial performance in the past quarter and the company is in the middle of a turnaround strategic plan.

"They believed that if the remaining shareholders wanted to sell their shares to Felda, it should be at a higher price," Putra Business School associate Prof Dr Ahmed Razman Abdul Latiff told *TMR*.

Minority Shareholders Watch Group CEO Devanesan Evanson said shareholders must make an informed decision on the matter due to the polarising views on the recommendation.

"The shareholders, especially the minority shareholders, are in a quandary as to whose recommendation they should accept. Some minority shareholders will be happy with the offer of RM1.30 and some will not be.

"Then we have the five non-interested directors, who are although not licensed to give investment advice, have a legitimate right to advise the shareholders as they know FGV more intimately.

"Presumably, based on the independent advisor's fair value ranges from RM1.42 to RM1.60 per FGV share, the lowest offer price to make the offer 'fair'," he said.

Ahmed Razman said FGV's value could be worth more than the recommended price of RM1.30, although it may not be as high as the planter's IPO price of RM4.55.

"I think Felda has a deadline to buy the remaining shares so they will probably monitor the number of shares they can buy every day up to the deadline date. If they are behind the target, there is a possibility they will have to raise the offer price.

"It will take FGV many years to hit that IPO price after its turnaround strategy has been fully executed," he said.

If Felda agrees to raise the offer price, they do not need to pay extra for the previous transactions since the deals had been concluded, he added.

In its latest transactions filed on Bursa Malaysia yesterday, Felda bought another 27.93 million of FGV's shares from the open market and received valid acceptance for 30.09 million shares taking its total stake in the planter to 54.73% as of Jan 22.

Felda's unconditional mandatory takeover offer for all the remaining shares in FGV at an offer price of RM1.30 per share remains open until 5pm on Feb 2, 2021.

Ahmed Razman said the privatisation exercise has a high chance to materialise as the minority shareholders of FGV will likely "give in" to the offer.

"It is likely to happen as the substantial shareholders have already agreed to the deal. I believe the minority shareholders consist of Felda settlers who are not active traders in the stock market.

"Felda would probably approach the settlers and get their consent to sell off their shares through compensation and by emphasising that the settlers will receive more benefits if FGV is under Felda's management.

"In the end, these minority shareholders will just accept the current offer price," he said.